



HRSC EAST EMPLOYEE BENEFITS UPDATE

Federal Employees Health Benefits (FEHB) Premium Conversion

Effective 1 October 2000, the Office of Personnel Management implemented a tax benefit called FEHB premium conversion. Even though premium conversion was implemented in 2000 it is confusing to many employees. Premium conversion allows an employee to allot a portion of salary (equal to the amount of the FEHB premium) to the employer. The employer then uses this money to pay the employee's contribution for FEHB coverage. This allotment is made on a pre-tax basis, which means that the money is not subject to Federal income, Medicare or Social Security taxes. In most States and many localities that impose an income tax, the allotment will not be subject to those taxes as well. The allotment reduces the employee's taxable income, so less tax is withheld, and paychecks are larger. All employees were automatically enrolled in premium conversion unless they elected not to participate. If you have elected to participate in premium conversion, the remarks section of your leave and earnings statement will have the remark "Pretax FEHB exclusion \$_____."

DISADVANTAGES OF PREMIUM CONVERSION

If you participate in premium conversion you cannot cancel your health insurance enrollment or change from self-and-family to self-only any time that you want. You can make this type of change during FEHB open season. You may also be allowed to make this change in conjunction with a qualifying life event such as marriage, birth of a child, your spouse gets a job that covers you under your spouse's health insurance, etc.

Employees who participate in premium conversion are not able to deduct FEHB premiums as a medical deduction on their income tax return because the employee is no longer paying the premium-it is being paid by the employing agency.

Paying FEHB premiums with pre-tax money reduces the earnings reported to the Social Security Administration. This may result in a somewhat lower Social Security benefit.

IF YOU DON'T WANT TO PARTICIPATE IN PREMIUM CONVERSION

If you don't want to participate in premium conversion or have previously waived participation and want to resume, you must complete attachment 1 and send it to the HRSC East during FEHB open season. The change will be effective the first pay period of the next calendar year. This year the FEHB open season is 11 November - 9 December 2002 and changes will be effective 12 January 2003.


ADDITIONAL INFORMATION ABOUT PREMIUM CONVERSION

Additional information about premium conversion is available on the Office of Personnel Management web site at <http://www.opm.gov/insure/health/pretaxfehb/index.htm>. If you have any questions about premium conversion, please call The Benefits Line at 1-888-320-2917, select option 2 to talk to a benefits counselor then option 1 for East Region. Benefits counselors are available from 7:30 a.m. – 4:30 p.m. EST Monday through Friday.

You may e-mail the Retirements and Benefits Division anytime at Benefits_east@east.hroc.navy.mil.

The TTY number for the hearing impaired is (757) 396-7078.

ATTACHMENT 1

	Human Resources Service Center East Retirements and Benefits Division Norfolk Naval Shipyard, Bldg 17 Portsmouth, VA 23709-5000	Federal Employees Health Benefits (FEHB) Program Premium Conversion Waiver/Election
<p>This form is used to elect or waive pre-tax treatment of employee premium contributions to the FEHB Program. Pre-tax treatment is automatic. You do not need to complete this form unless you elect not to have your FEHB premium contributions deducted on a pre-tax basis, or you previously waived this benefit and now elect to participate.</p>		
I. PARTICIPANT INFORMATION		
Last Name:	First Name:	MI:
SSN:		
Agency: Department of the Navy	Agency Address:	Office Phone:
II. ELECTION TO WAIVE PARTICIPATION IN PREMIUM CONVERSION		
<p>I elect to waive participation in premium conversion and the pre-tax treatment of my FEHB premiums. I would like to have my FEHB premium contributions deducted from my pay on an after-tax basis.</p> <p> <input type="checkbox"/> This is my initial opportunity to waive participation in premium conversion. <input type="checkbox"/> I am making this election to waive participation during FEHB Open Season. <input type="checkbox"/> I wish to waive participation in premium conversion on account of and in accordance with a Qualifying Life Event. </p>		
Signature	Date	
III. ELECTION TO RESTORE PARTICIPATION IN PREMIUM CONVERSION		
<p>I elect to have my FEHB premiums deducted from my pay on a pre-tax basis. I understand that I may only change my FEHB premium deductions to an after-tax basis during a subsequent Open Season or upon a Qualifying Life Event. See instructions on back for acceptable events.</p> <p> <input type="checkbox"/> I am making this election to participate during FEHB Open Season. <input type="checkbox"/> I wish to participate in premium conversion on account of and in accordance with a Qualifying Life Event. </p>		
Signature	Date	
IV. TO BE COMPLETED BY PAYROLL/PERSONNEL STAFF		
<input type="checkbox"/> Approved <input type="checkbox"/> Disapproved	Effective Date:	
Authorized Agency Official Signature	Date	
<p>Privacy Act Statement: This information is collected under 5 C.F.R. § 892 and will be used to process your decision to waive or restore the pre-tax treatment of your FEHB premiums. This information may also be used pursuant to routine uses promulgated by OPM under 5 U.S.C. § 552a(b)(3). Completion of this form is voluntary. However, if this information is not provided, we will be unable to process your waiver or restoration of premium conversion.</p>		